



Senate Bill 77

1. What entities are affected by this bill?

- This bill would affect entities (except grantor-type trusts) that file a fiduciary tax return with the state: estates and trusts (including revocable and irrevocable trusts).
- Grantor type trusts will not be affected by this bill because the grantors/owners report all of the activity on their tax returns.

2. How is the taxable activity from a trust taxed?

- Taxable activity that is attributable to a trust is either taxed at the trust level or is distributed to a beneficiary(ies) and is taxed at the beneficiary level (no double taxation).
- A distribution to a beneficiary may be comprised of income that is both taxable and nontaxable to the beneficiary. If the tax for the income was already paid by the trust then the beneficiary does not pay tax again on this portion of a distribution. If the tax was not already paid for that income then the beneficiary will have a tax liability.
- It is not possible to distribute expenses. The beneficiary cannot deduct the federal taxes that a trust paid on the beneficiary's tax return.

3. What taxes does a trust currently deduct from taxable income?

- State & local income taxes (except MT income taxes paid or accrued), real & personal property taxes, foreign income taxes, and state & local sales taxes
- Federal income taxes paid or accrued
 - Reported as a deduction to taxable income